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Overview of public food stockholding programmes: policies and practices

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Public Stockholding (PSH) Rules to Promote Food Security of All WTO Members

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CONTENTS

- **Types and objectives**
- **Key functions and related policy measures**
- **Examples of public food stockholding programmes in practice**
- **Possible impacts on domestic and international markets**
- **Final remarks**



PUBLIC FOOD STOCKHOLDING PROGRAMMES: OBJECTIVES

Public food stockholding (PSH) refers to the procurement, storage and release of food stocks by governments through state-owned enterprises or other public agencies

- Stocks can comprise of both **domestically procured** and **imported** food
- Usually **cereals** (less perishable) prevalent in national diets
- Countries frequently exposed to **shocks** are generally **more likely** to keep stocks

In practice, the distinctions between different “types of stocks” can be **unclear**, with countries attempting to achieve **several objectives simultaneously**

TYPES OF PSH PROGRAMMES

EMERGENCY STOCKS: to reduce the vulnerability of consumers to supply disruptions or food price shocks in emergencies

BUFFER STOCKS: to stabilize prices within the domestic market to avoid excessive volatility (the policy focus is on both consumers and producers)

STOCKS FOR DOMESTIC FOOD DISTRIBUTION / AID: to promote physical and economic access to adequate quantities of food for certain target population groups

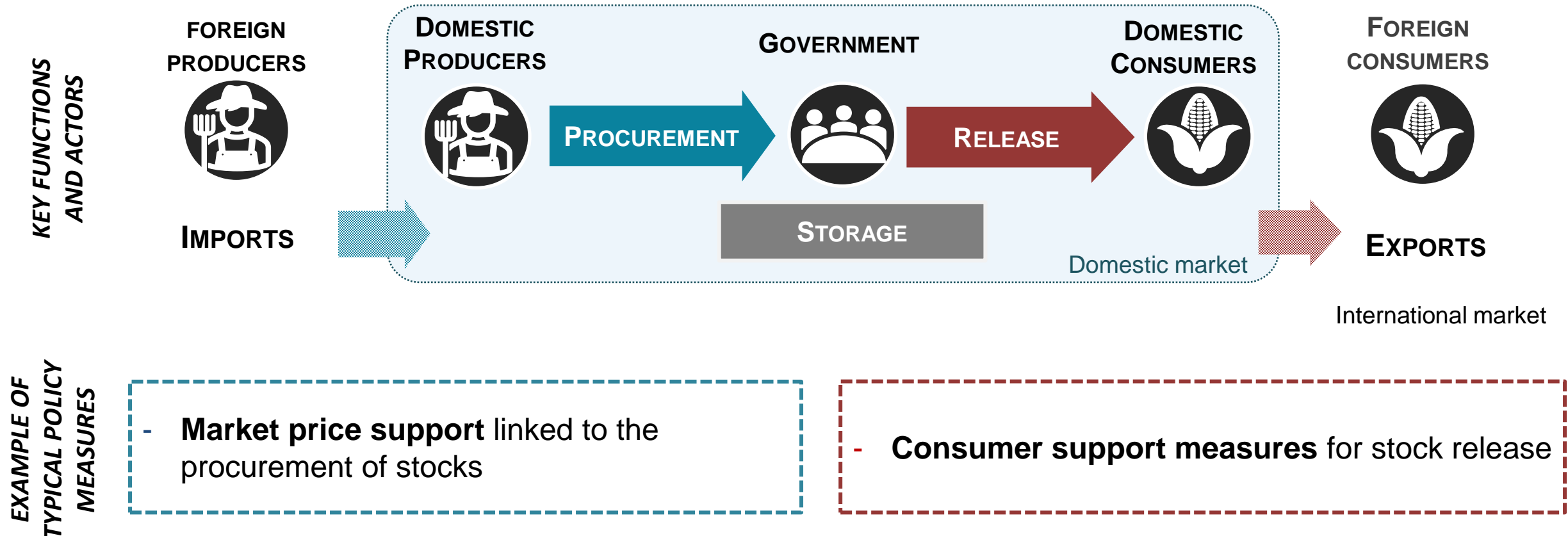


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KEY FUNCTIONS AND TYPICAL POLICY MEASURES

A combination of three functions (stock procurement, storage and release) and policy measures





EXAMPLE OF MEASURES RELATED TO PROCUREMENT AND RELEASE

PRICE SUPPORT LINKED TO PROCUREMENT

+ Procurement at administered price can help achieve domestic policy objectives of **providing income support to farmers** (potentially critical for smallholder farmers)

- Procurement at administered prices above world market prices may **provide incentives for farmers to produce larger quantities** than what they would otherwise produce and is usually considered a form of **trade-distorting subsidy**

CONSUMER SUPPORT MEASURES FOR RELEASE

+ Provision of certain quantities of food grains at **subsidized prices to target population groups** (e.g. in disconnected rural areas or poor urban neighborhoods) make food available at a lower price

- Unbalanced targeting **can offset consumer support measures**. For those poor **consumers not reached by such measures**, the combination of high administered prices and import barriers can imply **higher consumer prices**

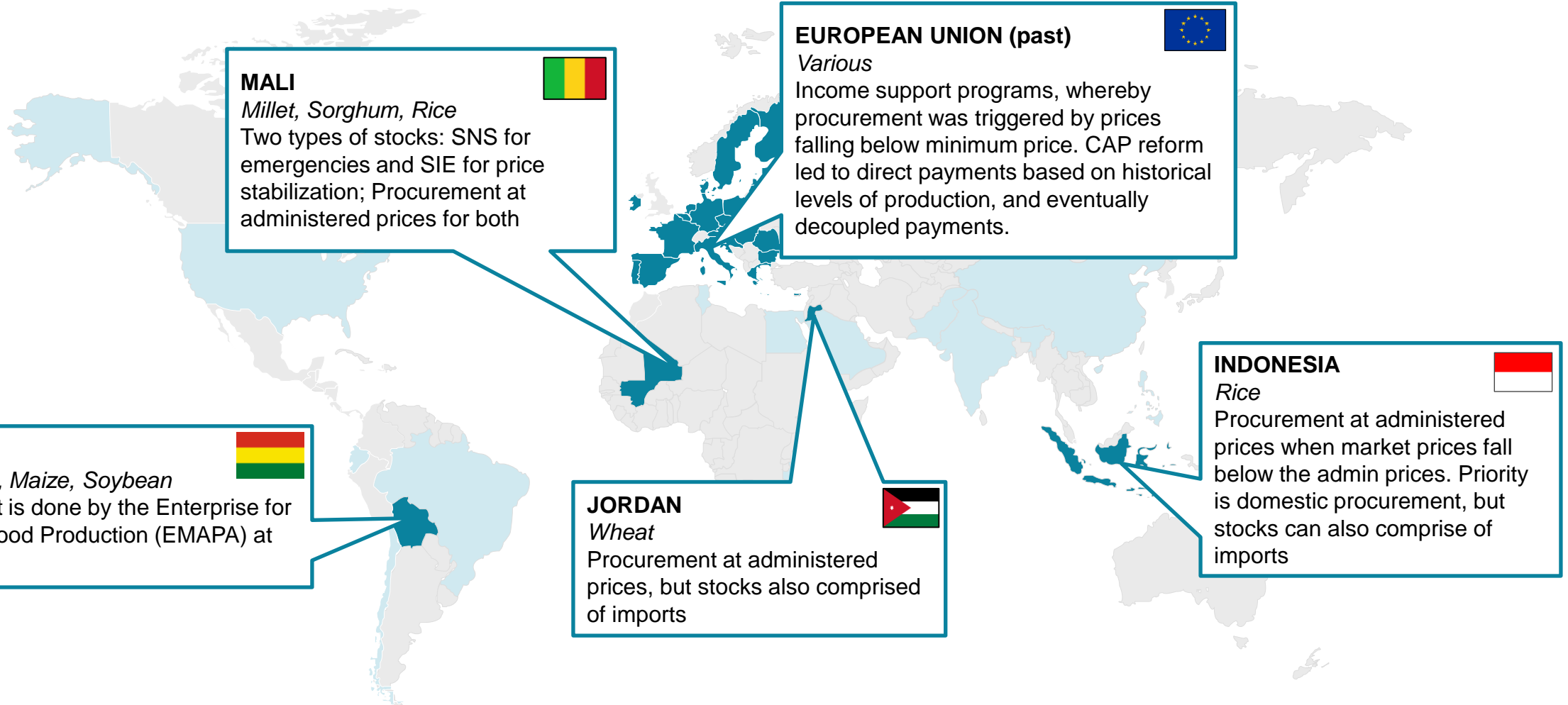


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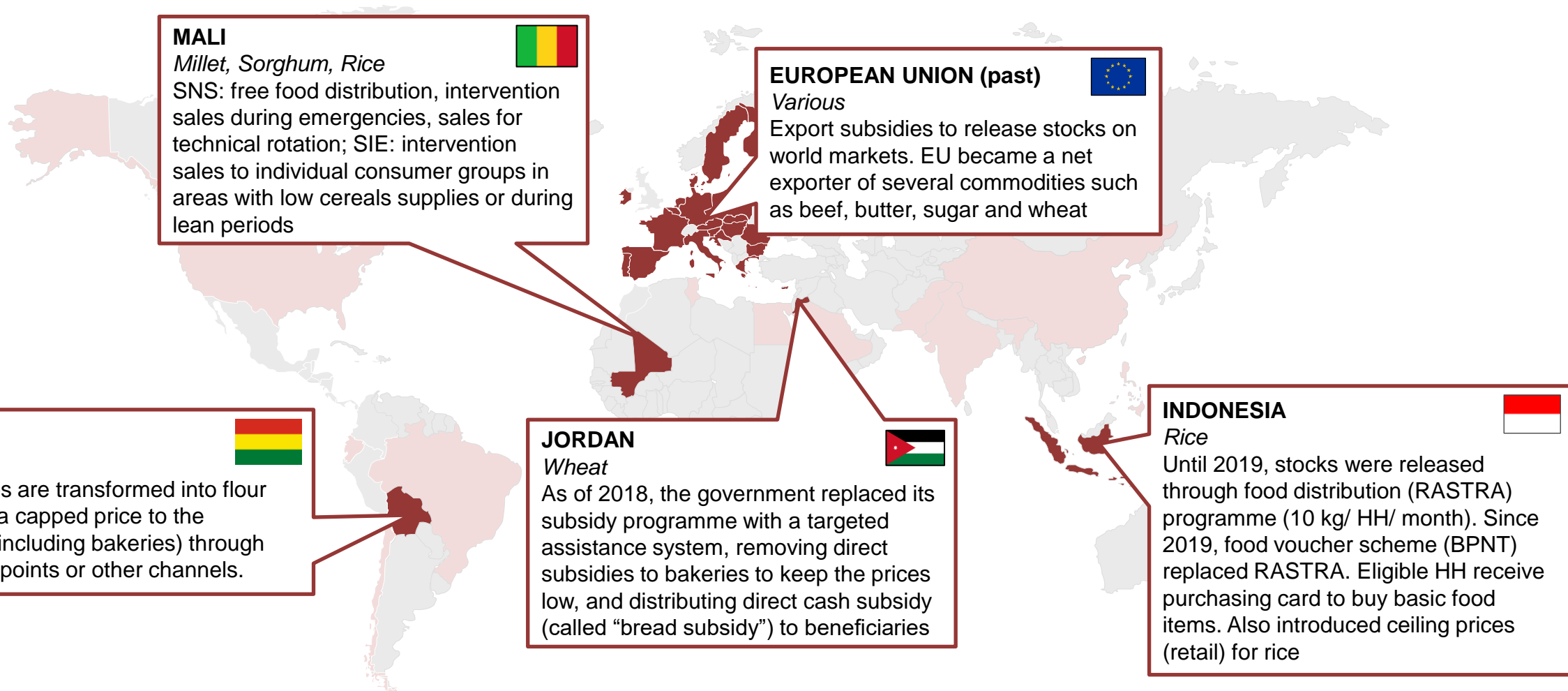


PSH PROGRAMMES: EXAMPLES OF STOCK PROCUREMENT





PSH PROGRAMMES: EXAMPLES OF STOCK RELEASE





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IMPLEMENTATION EXPERIENCES AND IMPACTS ON MARKETS (1/2)

POSSIBLE DOMESTIC IMPACTS

PRODUCERS

- + Guaranteed and remunerative outlets can provide a stable market and support farm incomes
- Over-reliance on institutional markets can crowd-out private investment

CONSUMERS

- + Important form of social protection for the most vulnerable
- Production may be skewed towards procured commodities, to the detriment of efforts to promote dietary diversification

GOVERNMENT BUDGETS

- + Practicable way of supporting producers and consumers
- High fiscal costs due to scale of operations, implementation challenges (particularly targeting beneficiaries)

- **Need to ensure proper targeting**, both in procurement and in food distribution, to reach the most vulnerable populations
- **Choice of policy measure should be informed by** context-specific analysis vis-à-vis alternatives; one size does not fit all



IMPLEMENTATION EXPERIENCES AND IMPACTS ON MARKETS (2/2)

PSH programmes can affect traded volumes and prices, depending on the scale of operations and the size and the status of the market of the country that implements them. This ultimately has impacts on producers and consumers in other countries

POSSIBLE INTERNATIONAL IMPACTS

FOREIGN PRODUCERS

- Import demand is reduced in countries holding large stocks, thereby reducing market opportunities for producers in other countries
- If, in countries holding huge stockpiles, stock release decisions are unpredictable, this can influence price levels and volatility

FOREIGN CONSUMERS

- + Ample stocks can provide confidence in the availability of supplies to deal with exogenous shocks
- Uncertainty about availability of stocks held by large consuming countries in the event of exogenous shocks affecting global markets

Given the possible international impacts, PSH therefore remains a **difficult area of agricultural negotiations**



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FINAL REMARKS

PUBLIC FOOD STOCKHOLDING

1

Countries may aim to hold public food stocks for a **variety of objectives**

2

Governments can use a combination of both **producer-** and **consumer-oriented measures** to implement their PSH programmes

3

PSH can play an important **role** both **domestically** and **internationally**, with potentially **significant market impacts and costs**

PSH programmes are **not directly comparable across countries**: 1) **countries tend to fulfil multiple objectives simultaneously** and 2) there is considerable **diversity in implementation** – both on stock procurement and release

Given their market impacts and significant costs, **PSH programmes should be carefully evaluated against other policy alternatives**



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THANK YOU
